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Attorneys for Plaintiffs
DSW Inc. and DSW Shoe Warehouse, Inc.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

**DSW INC. and
DSW SHOE WAREHOUSE, INC.,**

| No. SA CV 06-06854 FMC (SHx)

Plaintiffs,

V.

SHOE PAVILION, INC.

PLAINTIFFS' SECOND STATUS REPORT

Defendant

In accordance with the Court's order entered on October 30, 2008 in its Civil Minutes – General (Doc. No. 62), Plaintiffs DSW, Inc. and DSW Shoe Warehouse, Inc. (hereinafter collectively "DSW") hereby submit their second status report on the bankruptcy proceeding initiated by Defendant Shoe Pavilion, Inc. ("Shoe Pavilion").

On October 19, 2009, Shoe Pavilion filed a Motion to Approve Dismissal of

1 Debtors' Chapter 11 Bankruptcy Cases and Distribution of Funds to All
 2 Outstanding Claimants. A copy of that Motion is attached hereto as Exhibit 1. In
 3 that Motion, Shoe Pavilion is seeking an order dismissing the Chapter 11
 4 bankruptcy proceeding, and authorizing distribution of all remaining funds in the
 5 bankruptcy estates to all holders of allowed administrative claims. Further, in view
 6 of the fact that all remaining assets of the estates are requested to be distributed,
 7 Shoe Pavilion is not seeking conversion of the proceeding to a Chapter 7
 8 liquidation because "even a liquidating plan" is not possible. Instead, Shoe Pavilion
 9 simply requests the dismissal of the proceeding as the "most efficient and cost
 10 effective manner of ending the bankruptcy cases." (See Exhibit 1 at pages 1-2.)

11 In view of Shoe Pavilion's Motion, which is set for hearing on November 9,
 12 2009, DSW respectfully submits that Shoe Pavilion will cease to exist and,
 13 therefore, the present case can no longer proceed. DSW therefore requests that the
 14 Court dismiss DSW's Complaint in the present action without prejudice pursuant to
 15 Fed. R. Civ. P. 41(a)(2). The dismissal should be without prejudice to preserve
 16 DSW's rights to proceed against any of the accused fixtures in the event DSW
 17 should learn that any such fixtures are found in the marketplace.

18
 19 Dated: October 26, 2008

BURKE WILLIAMS AND SORENSEN

20 By:

21 Richard M. Fannan (S.B. No. 76364)

22 Theodore R. Remaklus
 23 P. Andrew Blatt
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 26 DSW Shoe Warehouse, Inc.

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5 Attorneys for Chapter 11 Debtors and Debtors in Possession

6 **UNITED STATES BANKRUPTCY COURT**
7 **CENTRAL DISTRICT OF CALIFORNIA**
8 **SAN FERNANDO VALLEY DIVISION**

9 In re:) Chapter 11
10 SHOE PAVILION INC., a Delaware)
corporation,) Case No. 1:08-bk-14939-MT
11) (Jointly Administered)
12 SHOE PAVILION CORPORATION, a)
Washington corporation,) Case No. 1:08-bk-14941-MT
13)
14 Debtors.) **NOTICE OF MOTION AND MOTION OF**
15) **DEBTORS TO APPROVE DISMISSAL OF**
16) **DEBTORS' CHAPTER 11 BANKRUPTCY**
17) **CASES AND DISTRIBUTION OF FUNDS**
18) **TO ALL OUTSTANDING**
19) **ADMINISTRATIVE CLAIMANTS EITHER**
20) **IN FULL OR ON A PRO RATA BASIS;**
21) **MEMORANDUM OF POINTS AND**
22) **AUTHORITIES; DECLARATION OF**
23) **LAURA CONTRERAS IN SUPPORT**
24) **THEREOF**
25)
26) **Hearing:**
27) Date: November 9, 2009
28) Time: 10:00 a.m.
) Place: Courtroom "302"
) 21041 Burbank Blvd.
) Woodland Hills, CA
)
)
)
)

EXHIBIT 1

1 **PLEASE TAKE NOTICE THAT** a hearing will be held on November 9, 2009 at
2 10:00 a.m. before the Honorable Maureen Tighe, United States Bankruptcy Judge, in her
3 Courtroom 302, located at 21041 Burbank Blvd., Woodland Hills, CA, to consider the motion
4 (the "Motion") filed by Shoe Pavilion Inc. and Shoe Pavilion Corporation, the debtors and
5 debtors in possession in the above-referenced, jointly administered, Chapter 11 bankruptcy
6 cases (collectively, the "Debtors"), for an order approving the dismissal of the Debtors'
7 Chapter 11 bankruptcy cases and authorizing the distribution of all of the estates' remaining
8 funds to all holders of outstanding allowed administrative claims either in full or on a pro rata
9 basis, as the case may be. As set forth more fully in the annexed Memorandum of Points and
10 Authorities, it appears that the estates currently have just enough cash to be able to satisfy all
11 allowed administrative claims in full.
12
13

14 The Debtors believe that "cause" exists for the Court to approve a dismissal of the
15 Debtors' Chapter 11 bankruptcy cases and to authorize the Debtors to distribute the remaining
16 funds in these estates to all holders of outstanding allowed administrative claims either in full
17 or on a pro rata basis (as the case may be), and that this result is in the overwhelming best
18 interests of these estates. The Debtors have now liquidated all of their assets that can be
19 monetized, and all pending adversary proceedings, claim objections and other disputes have
20 all been resolved. In short, these cases have now been fully administered. However,
21 confirmation of a plan of reorganization (even a liquidating plan) is not possible given that the
22 cases are either administratively insolvent or there is *de minimis* funds available for unsecured
23 creditors, and the cases should not be converted to Chapter 7 given that there would be
24 nothing for a trustee to do and having a trustee would only add to the administrative costs
25 (thereby increasing the administrative insolvency) of these cases. The Debtors have therefore
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concluded that dismissing their Chapter 11 bankruptcy cases and distributing all of the
1 remaining funds in these estates to the holders of outstanding allowed administrative claims
2 either in full or on a pro rata basis (as the case may be) is the most efficient and cost effective
3 manner of ending these bankruptcy cases, which have been pending for almost 1.5 years, and
4 getting money to creditors as quickly as possible.

Attached as Exhibit "1" to the Declaration of Laura Contreras (the "Contreras
Declaration") is a chart (the "Chart"), which sets forth the name of each holder of an
outstanding allowed administrative claim and the amount of their unpaid and outstanding
allowed administrative claim. There are four claims in the Chart (those marked with an
asterisk) which remain subject to Court approval because such claims represent pending
applications for the allowance of fees and expenses by professionals employed in these cases.
The affected professionals are: (1) Levene, Neale, Bender, Rankin & Brill L.L.P., bankruptcy
counsel to the Debtors, (2) Cooley Godward LLP, bankruptcy counsel to the Official
Committee of Unsecured Creditors, (3) Wickersham & Murphy, a Professional Corporation,
special corporate and securities counsel to the Debtors, and (4) Grant Thornton, accountants to
the Debtors (collectively, the "Remaining Fee Applications"). The hearings to consider these
Remaining Fee Applications are set concurrently with the hearing on this Motion.

The Debtors estimate that by the time of the hearing on this Motion, they will have a
total of approximately \$3,796,950 of cash available for payments to holders of allowed
administrative claims on their unpaid claims, after accounting for estimated remaining post-
petition expenses of the estates and quarterly fees that will be owed to the United States
Trustee for the 3rd and 4th quarters of 2009. The Debtors also believe that there will be a total
of approximately \$3,780,685 of allowed and unpaid administrative claims, assuming that the

1 Court approves the Remaining Fee Applications in their entirety. As described more fully in
2 the annexed Memorandum of Points and Authorities, all allowed secured claims have already
3 been paid in full. If the Court approves the Remaining Fee Applications in their entirety, the
4 Debtors estimate that each holder of an outstanding allowed administrative claim will receive
5 a distribution equal to 100% of the amount of their allowed and unpaid administrative claim.
6 There will be a balance left of approximately \$16,000, which, needless to say is *de minimus* to
7 justify the Debtors having to review and object to the thousands of unsecured claims in these
8 cases. Indeed, the process of having to review and object to unsecured claims would result in
9 the estates incurring fees substantially in excess of the remaining balance of \$16,000.
10

11 The complete bases for the Motion are set forth in the annexed Memorandum of Points
12 and Authorities and the Contreras Declaration including all exhibits thereto. The Motion is
13 based upon this Motion, the annexed Memorandum of Points and Authorities and the
14 Contreras Declaration including all exhibits thereto, the statements, arguments and
15 representations of the parties to be made at the hearing on the Motion, if any, and any other
16 evidence properly presented to the Court.
17

18 **PLEASE TAKE FURTHER NOTICE** that any opposition to the Motion must be in
19 writing and filed with the Clerk of the Bankruptcy Court and served upon counsel for the
20 Debtors at the address set forth in the upper left-hand corner of the first page of this Motion
21 not later than 14 days after the service of this Motion. The failure to timely file an objection
22 and a request for a hearing may be deemed by the Court to constitute consent to the relief
23 requested in the Motion.
24

25 **WHEREFORE**, the Debtors respectfully request that the Court enter an order:
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1 1. approving the immediate dismissal of the Debtors' Chapter 11 bankruptcy
2 cases;

3 2. authorizing the Debtors to distribute all of the remaining funds in these estates
4 to all holders of outstanding allowed administrative claims either in full or on a pro rata basis.
5 as the case may be, in accordance with the Chart, subject to any modifications which need to
6 be made to the Chart resulting from orders of the Court issued in connection with the
7 Remaining Fee Applications; and

8 3. granting such other and further relief as the Court deems just and proper under
9 the circumstances of these cases.

10 Dated: October 19, 2009

SHOE PAVILION INC.
SHOE PAVILION CORPORATION

11 By: Monica Y. Kim

12 Ron Bender
13 Monica Y. Kim
14 Juliet Y. Oh
15 LEVENE, NEALE, BENDER,
16 RANKIN & BRILL L.L.P.
17 Attorneys for Chapter 11
18 Debtors and Debtors in
19 Possession

MEMORANDUM OF POINTS AND AUTHORITIES1
2
I.**INTRODUCTION**

5 By the Motion, the Debtors request an immediate dismissal of the Debtors' Chapter 11
 6 bankruptcy cases and authorization to distribute all of the estates' remaining funds to all
 7 holders of outstanding allowed administrative claims either in full or on a pro rata basis, as the
 8 case may be. Attached as Exhibit "1" to the annexed Contreras Declaration is a chart (the
 9 "Chart"), which sets forth the name of each holder of an outstanding allowed administrative
 10 claim and the amount of their unpaid and outstanding allowed administrative claim. There are
 11 four claims in the Chart (those marked with an asterisk) which remain subject to Court
 12 approval because such claims represent pending applications for the allowance of fees and
 13 expenses by professionals employed in these cases. The affected professionals are: (1)
 14 Levene, Neale, Bender, Rankin & Brill L.L.P., bankruptcy counsel to the Debtors, (2) Cooley
 15 Godward LLP, bankruptcy counsel to the Official Committee of Unsecured Creditors, (3)
 16 Wickersham & Murphy, a Professional Corporation, special corporate and securities counsel
 17 to the Debtors, and (4) Grant Thornton, accountants to the Debtors (collectively, the
 18 "Remaining Fee Applications"). The hearings to consider these Remaining Fee Applications
 19 are set concurrently with the hearing on this Motion.

20
 21
 22 The Debtors estimate that by the time of the hearing on this Motion, they will have a
 23 total of approximately \$3,796,950 of cash available for payments to holders of allowed
 24 administrative claims on their unpaid claims, after accounting for estimated remaining post-
 25 petition expenses of the estates and quarterly fees that will be owed to the United States
 26 Trustee for the 3rd and 4th quarters of 2009. The Debtors also believe that there will be a total
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 28

of approximately \$3,780,685 of allowed and unpaid administrative claims, assuming that the
1 Court approves the Remaining Fee Applications in their entirety. As described more fully in
2 the annexed Memorandum of Points and Authorities, all allowed secured claims have already
3 been paid in full. If the Court approves the Remaining Fee Applications in their entirety, the
4 Debtors estimate that each holder of an outstanding allowed administrative claim will receive
5 a distribution equal to 100% of the amount of their allowed and unpaid administrative claim.
6 There will be a balance left of approximately \$16,000, which, needless to say is *de minimus* to
7 justify the Debtors having to review and object to the thousands of unsecured claims in these
8 cases. Indeed, the process of having to review and object to unsecured claims would result in
9 the estates incurring fees substantially in excess of the remaining balance of \$16,000.
10

12 The Debtors firmly believe that the relief requested in this Motion is warranted and
13 appropriate and in the overwhelming best interests of these estates. As described in detail
14 below, these cases have now been fully administered. However, confirmation of a plan of
15 reorganization (even a liquidating plan) is not possible given that the cases are either
16 administrative insolvent or there is *de minimus* funds available for unsecured creditors, and
17 the cases should not be converted to Chapter 7 given that there would be nothing for a trustee
18 to do and having a trustee would only add to the administrative costs (thereby increasing the
19 administrative insolvency) of these cases. The Debtors have therefore concluded that
20 dismissing their Chapter 11 bankruptcy cases and distributing all of the remaining funds in
21 these estates to the holders of outstanding allowed administrative claims either in full or on a
22 pro rata basis (as the case may be) is the most efficient and cost effective manner of ending
23 these bankruptcy cases, which have been pending for almost 1.5 years, and getting money to
24 creditors as quickly as possible.
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II.

FACTS OF THE CASE

A. Background.

The Debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code on July 15, 2008 (the “Petition Date”). The Debtors have been managing their affairs and their bankruptcy estates as debtors in possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

The Debtors operated as an independent, off-price footwear retailer with locations in the Western and Southwestern United States. As of the Petition Date, the Debtors owned and operated approximately 117 retail stores in Washington, Oregon, California, Arizona, Nevada, Texas and New Mexico.

Shortly after the Petition Date, an Official Committee of Unsecured Creditors (the “Committee”) was appointed. The Committee was actively engaged throughout these cases through both its bankruptcy counsel, Cooley Godward LLP, and its financial advisors, FTI Consulting.

Due to a number of economic circumstances, the Debtors conducted store liquidations during these cases which enabled the Debtors to essentially convert virtually all of their inventory into cash. The store liquidations were all concluded by the middle of December 2008, and all of the stores have been closed. As described below, the estates have now been fully administered. The Debtors have completed the liquidation of all inventory and other assets of these estates. The Debtors have resolved all pending litigation, including the litigation with the alleged consignors and their senior secured lender, Wells Fargo Retail Finance, LLC (“Wells”) which were settled. Following extensive review of all claims which

1 have been asserted in these cases, and objections filed by the Debtors to certain disputed
2 claims, the Debtors have now ascertained the universe of allowed secured claims and allowed
3 administrative in these cases. All allowed secured claims have been paid in full. All allowed
4 administrative claims have also been determined by the Debtors.

5 B. Summary of Liquidation of Assets.

6 During the early phase of these cases, the Debtors developed a game plan of salvaging
7 the best stores (approximately 64 of them) and then either reorganizing around those stores or
8 selling them as a going concern. However, this original game plan was rendered impossible
9 by the economic meltdown which drastically affected in a negative manner the entire retail
10 industry, necessitating a liquidation of all of the stores. The liquidation of the stores occurred
11 in three tranches. The first consisted of the Debtors' self-liquidation of the 15 stores in Texas
12 and one other store in CA. The second consisted of a 27-store liquidation conducted by
13 Gordon Brothers as the high bidder at the auction for the 27 stores. The third consisted of a
14 64-store liquidation conducted by Great American as the high bidder at the auction for the 64
15 Stores. All store liquidations were concluded by the middle of December 2008.
16

17 Concurrently with the store liquidations, all leased equipment was returned and
18 surrendered to the equipment lessors. The Debtors also sold all of the remaining residual and
19 miscellaneous personal property assets (such as office furniture, office equipment, fixtures,
20 cash registers, computers, printers, and related information technology equipment, most of
21 which were located in the Debtors' Burbank store and warehouse) which became obsolete as a
22 result of the liquidation.
23

24 In early 2009, the Debtors actively pursued sales for the estates' intellectual property
25 assets. Working with the Debtors' financial advisors, the Debtors determined that Dmitry
26

1 Beinus (the Debtors' former Chief Executive Officer) and one other party unrelated to the
2 Debtors were interested in acquiring the estates' intellectual property. Following an auction,
3 Mr. Beinus was deemed to be the winner of the assets for \$11,000; however, the Committee
4 opposed the sale indicating that it desired a longer marketing process through an outside
5 consultant. Therefore, the Committee hired an outside consultant which was employed by the
6 Court. Unfortunately, the outside consultant has not been able to find any buyer for the
7 intellectual property for the last approximately six months.
8

9 Other than inventory, personal property and intellectual property, the estates have the
10 following assets, all of which have all been liquidated for the benefit of creditors: (i) recovery
11 of tax refund from the State of California of approximately \$200,000, (ii) recovery of claim
12 against insurance policy for losses associated with theft by a former employee in the amount
13 of approximately \$820,000, (iii) recovery of letter of credit issued in favor of PG&E in the
14 amount of approximately \$120,000, (iv) recovery of reserves taken with respect to merchant
15 accounts in the amount of approximately \$100,000, (v) recovery of deposits held by third
16 parties in the amount of approximately \$30,000, (vi) recovery of the settlement amount agreed
17 to between the Debtors and Romeo & Juliette, Inc. (the settlement is described below), (vii)
18 recovery of insurance refunds for approximately \$56,000, and (viii) other miscellaneous funds.
19

20 As set forth in the Contreras Declaration, the Debtors have reviewed the payments
21 made by the Debtors within the 90 day period prior to the Petition Date. The Debtors believe
22 that most, if not all, of such payment were in the ordinary course of the Debtors' business
23 and/or new value was subsequently given by the creditors. Additionally, the Committee has
24 also sought to employ counsel on a contingency basis to pursue possible claims against the
25 Debtors' former officers and directors; however, no counsel was found willing to be employed
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on a full contingency basis. Therefore, no assets remain for a Chapter 7 trustee to liquidate
1 and the cases have been fully administered already by the Debtors as debtors in possession.
2

3 As a result of these collection and recovery efforts undertaking by the Debtors and
4 their professionals, as of the filing date of this Motion, the Debtors have cash on hand of
5 approximately \$3,821,000. The Debtors will have certain minor operational expenses that
6 need to be paid before distributions to administrative creditors are made and quarterly fees
7 owed to the United States Trustee for the 3rd and 4th quarters of 2009, which are described
8 below and are estimated to total approximately \$24,050.
9

10 C. Summary of Litigation and Settlements with Alleged Consignors.

11 During these cases, significant disputes arose between the Debtors, the Debtors' senior
12 secured lender Wells, and the Committee, on the one hand, and a group of parties who
13 claimed to be consignors of the Debtors, on the other hand. In order to grasp the magnitude
14 and scope of these disputes, the Court set a bar date of November 20, 2008 for entities who
15 contend to be consignors to file lawsuits against these estates. Eleven parties filed such
16 consignment related lawsuits, seeking declaratory relief that they were "true" consignors.
17 Many of these complaints named Wells, the Committee, and officers and employees of the
18 Debtors as additional defendants.
19

20 While the Debtors' pre-petition transactions with each of the eleven alleged consignors
21 which filed lawsuits against the estates were subject to specific terms set forth in written
22 and/or oral agreements between the parties, generally, all of these alleged consignors
23 contended that they sold their product to the Debtors on a "true" consignment basis. As a
24 result, they contended that the goods were not property of the Debtors' estates and that they
25 were entitled to the benefit of the terms of their pre-bankruptcy agreements with the Debtors
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1 rather than be deemed general unsecured creditors along with the Debtors' regular trade
2 creditors who sold goods (mostly shoes) to the Debtors pre-bankruptcy on open credit and
3 were not paid for such goods by the Debtors. In the alternative to their main argument that
4 they should be treated as "true" consignors to the Debtors, many of these alleged consignors
5 also asserted administrative claims based on reclamation pursuant to Section 503(b)(9) of the
6 Bankruptcy Code.

7 The Debtors answered the complaints. The Debtors disagreed with the contentions
8 asserted by the alleged consignors, and argued that their agreements with the alleged
9 consignors were not consignment agreements, but rather, clearly a simple contract for the sale
10 of goods. In addition, the Debtors contended that, based on a review of the Debtors' books
11 and records, the estates may have avoidance claims for relief against the alleged consignors
12 pursuant to Sections 547 and 550 of the Bankruptcy Code.

13 In addition, the Debtors had an additional dispute with alleged consignor Romeo &
14 Juliette, Inc. ("Romeo") involving post-petition purchase orders placed by the estates which
15 had been paid for by these estates in the total sum of \$267,000, but which were never fulfilled
16 by Romeo. As a result, the Debtors commenced an adversary proceeding by filing a complaint
17 against Romeo and its principal, Thomas Romeo, for, among other things, the turnover of the
18 funds.

19 After months of reviewing and analyzing the facts and legal issues involved, a large
20 number of negotiations between all of the parties, and propounding and delivery of discovery
21 by the Debtor and the other parties to the litigation, the Debtors, working closely with the
22 Committee, reached settlements with all of the alleged consignors. These settlements were
23 approved by the Court, and have been consummated with the Debtors having paid the
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1 settlement amounts to the alleged consignors, and the estates having received the settlement
2 amount from Romeo.

3 D. Summary of Litigation and Settlements with Wells.

4 Wells also sued the Debtors seeking a determination as to the validity and priority of
5 its lien, and the amount of its senior secured claim. If the alleged consignors prevailed on
6 their theory of the existence of "true" consignment and given the amounts which they claimed
7 they were owed by the estates, Wells could have been determined to be an undersecured
8 creditor. Therefore, it made sense to resolve the litigation with the alleged consignors before
9 addressing the litigation with Wells.

10 Following the completion of settlements with the alleged consignors, the Debtors and
11 the Committee turned their attention and focus to attempting to resolve their disputes with
12 Wells. Based on the settlements reached with the alleged consignors, the remaining cash in
13 the estates, and the amount of claim asserted by Wells, it was clear that Wells was an
14 oversecured creditor. However, the Debtors and the Committee argued that certain
15 components of Wells' claim was unreasonable, and also disputed the allowability and/or the
16 amount of certain elements of Wells' claim, including, without limitation, a prepayment
17 premium, default interest, and attorneys' fees and costs. In turn, Wells contended that all of
18 the elements of its claim were allowable under the pre-petition loan agreements and cash
19 collateral orders entered by this Court, and, therefore, were appropriate and reasonable.
20
21

22 Recognizing the risks, costs and delays associated with litigation, and mindful of the
23 settlements that have been reached between the estates, the Committee, Wells and the alleged
24 consignors which resulted in a determination that the entirety of the claim asserted by Wells is
25 fully secured, the parties engaged in settlement negotiations, which were fruitful, and resulted
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1 in a settlement whereby Wells essentially agreed to reduce its claim by approximately
 2 \$275,000. The Court approved the settlement, and the settlement has been fully
 3 consummated.

4 E. Summary of Allowed Secured Claims other than the Claim of Wells.

5 Aside from Wells, the only other entities asserting secured claims in these cases were
 6 taxing authorities from the States of California, Oregon, Washington, and Texas. The Debtors
 7 filed objections to all of the secured claims arguing that these taxing authorities were not
 8 entitled to secured claims under state laws; however, the Oregon and Texas taxing authorities
 9 were successful in showing that their state laws provided for liens against the estates' personal
 10 property. The Debtors also settled one claim objection with a taxing authority in the State of
 11 California.

12 All of the Debtors' objections to the secured claims of these taxing authorities have
 13 been resolved either through settlement or orders of the Court. All secured claims allowed in
 14 favor of these taxing authorities have also been paid.

15 Other than the secured claims asserted by Wells and the taxing authorities which were
 16 allowed secured claims (all of which have been paid in full pursuant to Court orders), there are
 17 no secured claims asserted by any other creditor in these cases.¹

18 F. Summary of Allowed Administrative Claims.

19 Attached as Exhibit "1" to the annexed Contreras Declaration is a chart (the "Chart"),
 20 which sets forth the name of each holder of an outstanding allowed administrative claim and

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 25 ¹ Iron Mountain Information Management, Inc. ("Iron Mountain") filed a claim which asserts both an unsecured
 26 claim and a secured claim. The secured claim is for \$925 which is allegedly based on \$1.00 per 925 boxes of
 27 documents in storage. The Debtors are in the process of arranging with Iron Mountain a destruction of the stored
 28 documents as they are no longer necessary to the administration of these estates. Iron Mountain and the Debtors
 have also agreed upon the amount of administrative claim that Iron Mountain will have in these cases. As a result
 of the foregoing, the "secured" claim previously asserted by Iron Mountain has been dealt with and is not at issue
 in these cases.

1 the amount of their unpaid and outstanding allowed administrative claim. There are four
2 claims in the Chart (those marked with an asterisk) which remain subject to Court approval
3 because such claims represent pending applications for the allowance of fees and expenses by
4 professionals employed in these cases. The affected professionals are: (1) Levene, Neale,
5 Bender, Rankin & Brill L.L.P., bankruptcy counsel to the Debtors, (2) Cooley Godward LLP.
6 bankruptcy counsel to the Official Committee of Unsecured Creditors, (3) Wickersham &
7 Murphy, a Professional Corporation, special corporate and securities counsel to the Debtors,
8 and (4) Grant Thornton, accountants to the Debtors (collectively, the "Remaining Fee
9 Applications"). The hearings to consider these Remaining Fee Applications are set
10 concurrently with the hearing on this Motion.

12 As set forth in the Exhibit "1" attached to the Contreras Declaration, the allowed
13 administrative claims of these cases are held by (i) professionals employed at the expense of
14 these estates, (ii) landlords for post-petition rents and charges, and (iii) trade creditors and
15 other miscellaneous creditors on account of requests for allowance of administrative claims
16 which the Debtors did not object to, orders of the Court on requests for allowance of
17 administrative claims which the Debtors objected to, or ordinary post-petition account payable
18 which the Debtors had not previously paid. Each of these categories are described briefly
19 below:

21 (1) Professionals. Pursuant to orders of the Court, the Debtors have employed 7
22 professionals:

24 - Levene, Neale, Bender, Rankin & Brill L.L.P. ("LNBRB") as their
25 bankruptcy counsel,

26 - FocalPoint Securities as their financial advisor,

- Manatt, Phelps & Phillips, LLP as their special labor and employment counsel,
- Wickersham & Murphy as their special corporate and securities counsel.
- Grant Thornton as their accountant,
- Dake & Associates as their real estate consultant, and
- IP Recovery, Inc. as their intellectual property consultant.

The Committee has employed 2 professionals:

- Cooley Godward Kronish, LLP (“Cooley”) as its bankruptcy counsel, and
- FTI Consulting as its financial advisors.

11 All of these professionals other than LNBRB, Wickersham & Murphy, Grant Thorton and
12 Cooley have filed their final fee applications, which have been approved by the Court. The
13 unpaid portions of the fees and costs allowed by the Court on a final basis to these
14 professionals are set forth in the Chart attached as Exhibit "1" to the Contreras Declaration.
15
16 LNBRB, Wickersham & Murphy, Grant Thorton and Cooley have filed the Remaining Fee
17 Applications, and the hearings on these applications have been set concurrently with the
18 hearing on the Motion. The Chart attached as Exhibit "1" to the Contreras Declaration
19 currently reflects the unpaid portions of the fees and costs which would be owed to these
20 professionals assuming that the Court approves these professionals' final fee applications as
21 requested. If all of the Remaining Fee Applications are approved by the Court on a final basis,
22 the total unpaid fees and expenses owed to professionals are approximately \$1,997,381.25.

(2) Landlords. The next group of holders of allowed administrative claims is prior
1 landlords of the Debtors, which have asserted administrative claims for, among other things,
2 July stub rent, other unpaid post-petition rents and other charges.
3

During these cases, the Court indicated that it would be adopting the “billing date” approach with respect to the payment of rents (*i.e.*, that rents are deemed due when billed and not on a pro rated basis). Most, if not all, of the Debtors’ leases provided for rents to be paid by the 1st of the calendar month; therefore, based on the “billing date” approach, the entire month became due and owing on the 1st of the calendar month. Based on this approach, and the Debtors having filed their cases on July 15, 2008, the Court ruled that July 2008 rents were pre-petition obligations of the estates. However, pursuant to Section 503(b)(1) of the Bankruptcy Code, the landlords were nonetheless given administrative priority status for the July stub rent (*i.e.*, the rents due for the period from July 15-30, 2008). Additionally, if the Debtors rejected a lease on any date that was after the first of the month, because of the “billing date” approach, the estates were burdened with administrative claim exposure for the entire month, and would not have been able to “cut off” its liability through the date of rejection. With over 100 leases as of the Petition Date, the Debtors estimated that the administrative liability resulting for the estates from the last month of store occupancy could be as high as \$3 million.

22 Most of the Debtors' landlords filed requests for payment of administrative claims on a
23 variety of grounds, including, without limitation, unpaid post-petition rents (including July
24 stub rent). Recognizing the Court's views and indications that it would be inclined to adopt
25 the "billing date" approach, the Debtors reached out to all of the landlords which had filed
26 requests for administrative claims to seek some reduction of their administrative claims.

1 These efforts were successful and significantly reduced the actual administrative liability
 2 exposure in favor of landlords to **\$1,332,364.32** as reflected in the Chart.

3 (3) Other Creditors. The last group of holders of allowed administrative claims is
 4 made up primarily of vendors and creditors which (a) timely filed requests for allowance of
 5 administrative claims which the Debtors did not object to, (b) were allowed administrative
 6 claims by orders of the Court following objections by the Debtors to their respective request
 7 for allowance of administrative claims, and (c) were not paid for post-petition product or
 8 services in the ordinary course of the Debtors' business prior to the hearing on the Motion.
 9
 10 The Court established November 20, 2008 as the bar date for creditors to file proofs of claim,
 11 and for creditors asserting administrative expense priority claims to file requests for the
 12 allowance and payment of administrative expense priority claims. The Debtors obtained
 13 copies of all proofs of claim and requests for allowance and payment of administrative
 14 expenses that were filed (whether or not they were filed before or after the bar date of
 15 November 20, 2008), and reviewed each of the claims and requests. It was necessary to
 16 review all of the proofs of claim because many creditors asserted administrative claims
 17 through the use of the proof of claim form even though they were not supposed to do this.
 18

19 The Debtors objected to many requests for allowance and payment of administrative
 20 claims. All of these objections have either been resolved by settlement, or resolved by orders
 21 entered by the Court either sustaining or overruling the Debtors' objections. All claim
 22 objections have now been resolved. The Chart reflects total allowed administrative liability in
 23 favor of creditors other than professionals and landlords of **\$450,938.69**.
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1 III.

2 SUMMARY OF THE ECONOMICS

3	Cash on Hand (as of October 15, 2009) -	\$3,821,000 (est.)
4	<u>Less:</u> Remaining Fees of Laura Contreras and Allan Levine	[\$500 for Allan Levine]
5	(two remaining employees of the Debtors which are rendering	[\$2,500 for Laura Contreras]
6	services to the estates on an hourly basis) -	
7	<u>Less:</u> Quarterly Fees for the 3 rd and 4 th quarters due to the	[\$325 to \$650 for 3 rd]
8	United States Trustee -	[\$10,400 for 4 th]
9	<u>Less</u> " Miscellaneous Business Expenses through November	[\$10,000]
10	9, 2009 -	
11	Net Balance for Administrative Creditors -	\$3,796,950
12	Total Administrative Claims (est.) -	\$3,780,685
13		
14	% Payout to Administrative Claims (est.) -	100% (est.)
15	Balance Remaining	\$16,000 (est.)
16		

17 The above summary shows that the estates may be left a balance left of approximately
 18 \$16,000, which, needless to say is *de minimus* to justify the Debtors having to review and
 19 object to the thousands of unsecured claims in these cases. Indeed, the process of having to
 20 review and object to unsecured claims would result in the estates incurring fees substantially
 21 in excess of the remaining balance of \$16,000. Additionally, it is possible that this estimated
 22 balance may be much smaller than expected if the miscellaneous business expenses or fees of
 23 the estates' remaining personnel are higher.

IV.

1 **THE DISMISSAL OF THE CASES AND THE PROPOSED DISTRIBUTION OF THE**
 2 **REMAINING FUNDS IN THESE ESTATES**

4 Given the administrative insolvency of these cases or *de minimis* funds available for
 5 unsecured creditors, as described above, the Debtors cannot confirm a plan of reorganization
 6 (or even a liquidating plan) in these cases. Therefore, the two options for exiting these
 7 Chapter 11 cases are (1) to convert these cases to Chapter 7, or (2) dismiss the cases. The
 8 Debtors have determined that dismissing the cases is a far better alternative than converting
 9 the cases to Chapter 7 for at least two reasons:

11 First, all assets of the estates that can be monetized have been liquidated and converted
 12 into cash. The Debtors have also fully evaluated and vetted possible claims and causes of
 13 action (including preference and fraudulent conveyance claims), and have determined that the
 14 viability of such claims is speculative, and spending the limited financial resources of these
 15 estate to pursue such claims which would further dilute the distribution to administrative
 16 claim creditors would not be in the best interests of the estates. Indeed, based on the Debtors'
 17 review of the payments made by the Debtors within the 90 day period prior to the Petition
 18 Date, the Debtors believe that most, if not all, of such payment were in the ordinary course of
 19 the Debtors' business and/or new value was subsequently given by the creditors.
 20 Additionally, the Committee has also sought to employ counsel on a contingency basis to
 21 pursue possible claims against the Debtors' former officers and directors; however, no counsel
 22 was found willing to be employed on a full contingency basis. Therefore, no assets remain for
 23 a Chapter 7 trustee to liquidate and the cases have been fully administered already by the
 24 Debtors as debtors in possession.

Second, the appointment of a Chapter 7 trustee will add further administrative expenses to the estates, which will have the effect of reducing the return to the administrative claim creditors and force administrative creditors to have to wait even longer to receive money on their claims. Most of these creditors have been waiting for over a year and one-half to receive payment. A Chapter 7 trustee is likely to take at least several months to review and make an independent assessment of the cases.

Based on the foregoing, the Debtors submit that dismissing the cases is in the best
interests of the estates.

Y.

THE COURT SHOULD APPROVE THE DISMISSAL OF THE DEBTORS'

CHAPTER 11 CASES

13 Section 1112(b) of the Bankruptcy Code provides in relevant part as follows:

[O]n request of a party in interest, and after notice and a hearing, . . . the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, if the movant establishes cause.

18 11 U.S.C. § 1112(b). Section 1112(b) of the Bankruptcy Code contains 16 examples of what
19 constitutes “cause.” Notably, the 16 examples of “cause” for dismissal set forth in the
20 Bankruptcy Code generally relate to bad acts by a debtor. This is not surprising because
21 dismissal is usually seen as the ultimate penalty when a debtor fails to proceed as required by
22 the Bankruptcy Code and Bankruptcy Rules. See In re Kimble, 96 B.R. 305, 307 (Bankr. D.
23 Mont. 1988). The foregoing examples of cause for dismissal are not exclusive and “[a] court
24 may consider other factors as they arise and may ‘use its equitable powers to reach an
25 appropriate result in individual cases.’” In re Mechanical Maintenance, Inc., 128 B.R. 382,
26

386 (E.D. Pa. 1991) (quoting S.Rep No. 989, 95th Cong., 2d Sess. 117, reprinted in 1978 U.S.
 1
Code Cong. & Admin. News 5787, 5903); see also 11 U.S.C. § 102(3).
 2

3 Once it is determined that "cause" exists, the Court must determine whether to convert
 4 or dismiss the case based on what is in the best interests of creditors and the estate. In re Staff
 5 Investment Co., 146 B.R. 256, 260 (Bankr. E.D. Cal. 1993); In re Evans, 2002 WL 33939733,
 6 (Bankr. D. Idaho 2002). This determination is committed to the Court's wide discretion.
 7 Pioneer Liquidating Corp. v. United States Trustee (In re Consolidated Pioneer Mortgage
 8 Entities), 248 B.R. 368, 375 (9th Cir. BAP 2000); Kimble, 96 B.R. at 307. A "[d]ebtor's
 9 request [to dismiss its Chapter 11 bankruptcy case] should ordinarily be granted unless some
 10 'plain legal prejudice' will result to the creditors.'" Kimble, 96 B.R. at 907 (quoting In re
 11 Geller, 74 B.R. 685, 688-89 (Bankr. E.D. Pa. 1987, citing In re Hall, 15 B.R. 913, 915-16 (9th
 12 Cir. BAP 1981; In re International Airport Inn Partnership, 517 F.2d 510, 512 (9th Cir. 1975)).
 13

14 These were difficult bankruptcy cases. The economy was crumbling and the credit
 15 markets dried up contemporaneously with the Debtors' filing, and the unforeseeable and
 16 dramatic market forces, combined with the demands of Wells, required the Debtors to quickly
 17 act to develop and implement an exit strategy, yet remain totally flexible to adopting changes.
 18 The Debtors and their counsel faced an enormity of problems, with many of the problems
 19 converging all at once at the outset of the cases – i.e., cash collateral, lease and landlord issues,
 20 store liquidation issues, consignment issues, and operating issues including key employee
 21 issues. However, due to the extraordinary efforts of the Debtors' management, the Debtors'
 22 professionals and the professionals employed by the Committee, the Debtors were able to
 23 liquidate every one of their stores, settle and resolve all of the disputes with the alleged
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1 consignors, Wells, landlords and other creditors, and recover other assets for the benefit of
2 creditors.

3 Now, almost 1.5 years later, these estates are left with some funds resulting from the
4 liquidation of the Debtors' assets primarily from the efforts made by the Debtors, their staff,
5 and the Debtors' and the Committee's bankruptcy counsel, but allowed administrative claims
6 exceed the amount of those funds. It is not possible for the Debtors to confirm a plan of
7 reorganization (or even a liquidating plan) because it may not possible for the Debtors to
8 satisfy all of the plan confirmations requirements of Section 1129(a) of the Bankruptcy Code.
9 The question then is what is the best way for the Debtors to distribute their funds to holders of
10 outstanding allowed administrative claims, all or nearly all of whom have not been paid for
11 more than one and one-half years? The Debtors strongly believe that the only sensible option
12 facing these estates is a prompt dismissal of these cases with a distribution of all of the estates'
13 funds to the holders of outstanding allowed administrative claims. No conceivable benefit
14 could be obtained from a conversion of these cases to Chapter 7 as there is nothing left to
15 administer. Similarly, no benefit would be served by having the Debtors remain in Chapter 11
16 as these cases have now been fully administered. The Debtors believe that the dismissal
17 sought by the Debtors is the result desired by the holders of administrative claims.
18

20 VI.
21

22 **CONCLUSION**

23 The Debtors submit that "cause" exists for the Court to grant the relief requested by
24 the Debtors and that doing so is in the overwhelming best interests of these estates. The
25 Debtors submit that none of their creditors will be prejudiced by the requested dismissal. The
26 Debtors therefore respectfully request that the Court:
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- 1 1. approve the immediate dismissal of the Debtors' Chapter 11 bankruptcy cases;
- 2 2. authorize the Debtors to distribute all of the remaining funds in these estates to
- 3 all holders of outstanding allowed administrative claims either in full or on a pro rata basis, as
- 4 the case may be, in accordance with the Chart, subject to any modifications which need to be
- 5 made to the Chart resulting from orders issued by the Court in connection with the Remaining
- 6 Fee Applications; and
- 7 3. grant such other and further relief as the Court deems just and proper under the
- 8 circumstances of these cases.

10 Dated: October 19, 2009

SHOE PAVILION INC.
SHOE PAVILION CORPORATION

11 By: 
12 Ron Bender
13 Monica Y. Kim
14 Juliet Y. Oh
15 LEVENE, NEALE, BENDER,
16 RANKIN & BRILL L.L.P.
17 Attorneys for Chapter 11
18 Debtors and Debtors in Possession

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DECLARATION OF LAURA CONTRERAS

1 I, Laura Contreras, hereby declare as follows:

2 1. I have personal knowledge of the facts set forth herein, and, if called as a witness,
3 I could and would testify competently with respect thereto. Where facts are alleged upon
4 information and belief, I believe them to be true and correct.

5 2. I am the Interim Chief Financial Officer of Shoe Pavilion Inc. and Shoe Pavilion
6 Corporation, the debtors and debtors in possession in the above-referenced, jointly
7 administrated, Chapter 11 bankruptcy cases (collectively, the "Debtors").

8 3. I make this Declaration in support of the Debtors' motion to dismiss their Chapter
9 11 bankruptcy cases and to distribute all of their remaining funds to the holders of all
10 outstanding allowed administrative claims either in full or on a pro rata basis, as the case may be.

11 4. The Debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code
12 on July 15, 2008 (the "Petition Date"). The Debtors have been managing their affairs and
13 their bankruptcy estates as debtors in possession pursuant to Sections 1107 and 1108 of the
14 Bankruptcy Code.

15 5. The Debtors operated as an independent, off-price footwear retailer with
16 locations in the Western and Southwestern United States. As of the Petition Date, the Debtors
17 owned and operated approximately 117 retail stores in Washington, Oregon, California,
18 Arizona, Nevada, Texas and New Mexico.

19 6. Shortly after the Petition Date, an Official Committee of Unsecured Creditors
20 (the "Committee") was appointed. The Committee was actively engaged throughout these
21 cases through both its bankruptcy counsel, Cooley Godward LLP, and its financial advisors,
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1 FTI Consulting.
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3 7. Due to a number of economic circumstances, the Debtors conducted store
 4 liquidations during these cases which enabled the Debtors to essentially convert virtually all of
 5 their inventory into cash. The store liquidations were all concluded by the middle of
 6 December 2008, and all of the stores have been closed. As described below, the estates have
 7 now been fully administered. The Debtors have completed the liquidation of all inventory and
 8 other assets of these estates. The Debtors have resolved all pending litigation, including the
 9 litigation with the alleged consignors and their senior secured lender, Wells Fargo Retail
 10 Finance, LLC ("Wells") which were settled. Following extensive review of all claims which
 11 have been asserted in these cases, and objections filed by the Debtors to certain disputed
 12 claims, the Debtors have now ascertained the universe of allowed secured claims and allowed
 13 administrative in these cases. All allowed secured claims have been paid in full. All allowed
 14 administrative claims have also been determined by the Debtors.
 15

16 8. During the early phase of these cases, the Debtors developed a game plan of
 17 salvaging the best stores (approximately 64 of them) and then either reorganizing around those
 18 stores or selling them as a going concern. However, this original game plan was rendered
 19 impossible by the economic meltdown which drastically affected in a negative manner the
 20 entire retail industry, necessitating a liquidation of all of the stores. The liquidation of the
 21 stores occurred in three tranches. The first consisted of the Debtors' self-liquidation of the 15
 22 stores in Texas and one other store in CA. The second consisted of a 27-store liquidation
 23 conducted by Gordon Brothers as the high bidder at the auction for the 27 stores. The third
 24 consisted of a 64-store liquidation conducted by Great American as the high bidder at the
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1 auction for the 64 Stores. All store liquidations were concluded by the middle of December
2 2008.

3 9. Concurrently with the store liquidations, all leased equipment was returned and
4 surrendered to the equipment lessors. The Debtors also sold all of the remaining residual and
5 miscellaneous personal property assets (such as office furniture, office equipment, fixtures,
6 cash registers, computers, printers, and related information technology equipment, most of
7 which were located in the Debtors' Burbank store and warehouse) which became obsolete as a
8 result of the liquidation.
9

10 10. In early 2009, the Debtors actively pursued sales for the estates' intellectual
11 property assets. Working with the Debtors' financial advisors, the Debtors determined that
12 Dmitry Beinus (the Debtors' former Chief Executive Officer) and one other party unrelated to
13 the Debtors were interested in acquiring the estates' intellectual property. Following an
14 auction, Mr. Beinus was deemed to be the winner of the assets for \$11,000; however, the
15 Committee opposed the sale indicating that it desired a longer marketing process through an
16 outside consultant. Therefore, the Committee hired an outside consultant which was
17 employed by the Court. Unfortunately, the outside consultant has not been able to find any
18 buyer for the intellectual property for the last approximately six months.
19

20 11. Other than inventory, personal property and intellectual property, the estates
21 have the following assets, all of which have all been liquidated for the benefit of creditors: (i)
22 recovery of tax refund from the State of California of approximately \$200,000, (ii) recovery of
23 claim against insurance policy for losses associated with theft by a former employee in the
24 amount of approximately \$820,000, (iii) recovery of letter of credit issued in favor of PG&E
25 in the amount of approximately \$120,000, (iv) recovery of reserves taken with respect to
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1 merchant accounts in the amount of approximately \$100,000, (v) recovery of deposits held by
2 third parties in the amount of approximately \$30,000, (v) recovery of the settlement amount
3 agreed to between the Debtors and Romeo & Juliette, Inc. (the settlement is described below),
4 (vi) recovery of insurance refunds for approximately \$56,000, and (vii) other miscellaneous
5 funds. As set forth in the Contreras Declaration, the Debtors have reviewed the payments
6 made by the Debtors within the 90 day period prior to the Petition Date. The Debtors believe
7 that most, if not all, of such payment were in the ordinary course of the Debtors' business
8 and/or new value was subsequently given by the creditors. Additionally, the Committee has
9 also sought to employ counsel on a contingency basis to pursue possible claims against the
10 Debtors' former officers and directors; however, no counsel was found willing to be employed
11 on a full contingency basis. Therefore, no assets remain for a Chapter 7 trustee to liquidate
12 and the cases have been fully administered already by the Debtors as debtors in possession.
13

14 12. As a result of these collection and recovery efforts undertaking by the Debtors
15 and their professionals, as of the filing date of this Motion, the Debtors have cash on hand of
16 approximately \$3,821,000. The Debtors will have certain minor operational expenses that
17 need to be paid before distributions to administrative creditors are made and quarterly fees
18 owed to the United States Trustee for the 3rd and 4th quarters of 2009, which are described
19 below and are estimated to total approximately \$24,050.

20 13. During these cases, significant disputes arose between the Debtors, the
21 Debtors' senior secured lender Wells, and the Committee, on the one hand, and a group of
22 parties who claimed to be consignors of the Debtors, on the other hand. In order to grasp the
23 magnitude and scope of these disputes, the Court set a bar date of November 20, 2008 for
24 entities who contend to be consignors to file lawsuits against these estates. Eleven parties
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1 filed such consignment related lawsuits, seeking declaratory relief that they were "true"
2 consignors. Many of these complaints named Wells, the Committee, and officers and
3 employees of the Debtors as additional defendants.

4 14. While the Debtors' pre-petition transactions with each of the eleven alleged
5 consignors which filed lawsuits against the estates were subject to specific terms set forth in
6 written and/or oral agreements between the parties, generally, all of these alleged consignors
7 contended that they sold their product to the Debtors on a "true" consignment basis. As a
8 result, they contended that the goods were not property of the Debtors' estates and that they
9 were entitled to the benefit of the terms of their pre-bankruptcy agreements with the Debtors
10 rather than be deemed general unsecured creditors along with the Debtors' regular trade
11 creditors who sold goods (mostly shoes) to the Debtors pre-bankruptcy on open credit and
12 were not paid for such goods by the Debtors. In the alternative to their main argument that
13 they should be treated as "true" consignors to the Debtors, many of these alleged consignors
14 also asserted administrative claims based on reclamation pursuant to Section 503(b)(9) of the
15 Bankruptcy Code.
16

17 15. The Debtors answered the complaints. The Debtors disagreed with the
18 contentions asserted by the alleged consignors, and argued that their agreements with the
19 alleged consignors were not consignment agreements, but rather, clearly a simple contract for
20 the sale of goods. In addition, the Debtors contended that, based on a review of the Debtors'
21 books and records, the estates may have avoidance claims for relief against the alleged
22 consignors pursuant to Sections 547 and 550 of the Bankruptcy Code.
23

24 16. In addition, the Debtors had an additional dispute with alleged consignor
25 Romeo & Juliette, Inc. ("Romeo") involving post-petition purchase orders placed by the
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1 estates which had been paid for by these estates in the total sum of \$267,000, but which were
2 never fulfilled by Romeo. As a result, the Debtors commenced an adversary proceeding by
3 filing a complaint against Romeo and its principal, Thomas Romeo, for, among other things,
4 the turnover of the funds.

5 17. After months of reviewing and analyzing the facts and legal issues involved, a
6 large number of negotiations between all of the parties, and propounding and delivery of
7 discovery by the Debtor and the other parties to the litigation, the Debtors, working closely
8 with the Committee, reached settlements with all of the alleged consignors. These settlements
9 were approved by the Court, and have been consummated with the Debtors having paid the
10 settlement amounts to the alleged consignors, and the estates having received the settlement
11 amount from Romeo.

13 18. Wells also sued the Debtors seeking a determination as to the validity and
14 priority of its lien, and the amount of its senior secured claim. If the alleged consignors
15 prevailed on their theory of the existence of "true" consignment and given the amounts which
16 they claimed they were owed by the estates, Wells could have been determined to be an
17 undersecured creditor. Therefore, it made sense to resolve the litigation with the alleged
18 consignors before addressing the litigation with Wells.

20 19. Following the completion of settlements with the alleged consignors, the
21 Debtors and the Committee turned their attention and focus to attempting to resolve their
22 disputes with Wells. Based on the settlements reached with the alleged consignors, the
23 remaining cash in the estates, and the amount of claim asserted by Wells, it was clear that
24 Wells was an oversecured creditor. However, the Debtors and the Committee argued that
25 certain components of Wells' claim was unreasonable, and also disputed the allowability
26 of certain expenses asserted by Wells.

1 and/or the amount of certain elements of Wells' claim, including, without limitation, a
2 prepayment premium, default interest, and attorneys' fees and costs. In turn, Wells contended
3 that all of the elements of its claim were allowable under the pre-petition loan agreements and
4 cash collateral orders entered by this Court, and, therefore, were appropriate and reasonable.

5 20. Recognizing the risks, costs and delays associated with litigation, and mindful
6 of the settlements that have been reached between the estates, the Committee, Wells and the
7 alleged consignors which resulted in a determination that the entirety of the claim asserted by
8 Wells is fully secured, the parties engaged in settlement negotiations, which were fruitful, and
9 resulted in a settlement whereby Wells essentially agreed to reduce its claim by approximately
10 \$275,000. The Court approved the settlement, and the settlement has been fully
11 consummated.

13 21. Aside from Wells, the only other entities asserting secured claims in these
14 cases were taxing authorities from the States of California, Oregon, Washington, and Texas.
15 The Debtors filed objections to all of the secured claims arguing that these taxing authorities
16 were not entitled to secured claims under state laws; however, the Oregon and Texas taxing
17 authorities were successful in showing that their state laws provided for liens against the
18 estates' personal property. The Debtors also settled one claim objection with a taxing
19 authority in the State of California.

21 22. All of the Debtors' objections to the secured claims of these taxing authorities
22 have been resolved either through settlement or orders of the Court. All secured claims
23 allowed in favor of these taxing authorities have also been paid.

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1 23. Other than the secured claims asserted by Wells and the taxing authorities
 2 which were allowed secured claims (all of which have been paid in full pursuant to Court
 3 orders), there are no secured claims asserted by any other creditor in these cases.²

4 24. Attached hereto as Exhibit "1" is a chart (the "Chart"), which sets forth the
 5 name of each holder of an outstanding allowed administrative claim and the amount of their
 6 unpaid and outstanding allowed administrative claim. There are four claims in the Chart
 7 (those marked with an asterisk) which remain subject to Court approval because such claims
 8 represent pending applications for the allowance of fees and expenses by professionals
 9 employed in these cases. The affected professionals are: (1) Levene, Neale, Bender, Rankin &
 10 Brill L.L.P., bankruptcy counsel to the Debtors, (2) Cooley Godward LLP, bankruptcy counsel
 11 to the Official Committee of Unsecured Creditors, (3) Wickersham & Murphy, a Professional
 12 Corporation, special corporate and securities counsel to the Debtors, and (4) Grant Thornton,
 13 accountants to the Debtors (collectively, the "Remaining Fee Applications"). The hearings to
 14 consider these Remaining Fee Applications are set concurrently with the hearing on this
 15 Motion.

16 25. As set forth in the Exhibit "1" attached hereto, the allowed administrative
 17 claims of these cases are held by (i) professionals employed at the expense of these estates, (ii)
 18 landlords for post-petition rents and charges, and (iii) trade creditors and other miscellaneous
 19 creditors on account of requests for allowance of administrative claims which the Debtors did
 20 not object to, orders of the Court on requests for allowance of administrative claims which the
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24
 25 ² Iron Mountain Information Management, Inc. ("Iron Mountain") filed a claim which asserts both an unsecured
 26 claim and a secured claim. The secured claim is for \$925 which is allegedly based on \$1.00 per 925 boxes of
 27 documents in storage. The Debtors are in the process of arranging with Iron Mountain a destruction of the stored
 28 documents as they are no longer necessary to the administration of these estates. Iron Mountain and the Debtors
 have also agreed upon the amount of administrative claim that Iron Mountain will have in these cases. As a result
 of the foregoing, the "secured" claim previously asserted by Iron Mountain has been dealt with and is not at issue
 in these cases.

1 Debtors objected to, or ordinary post-petition account payable which the Debtors had not
2 previously paid. Each of these categories are described briefly below.

3 26. Professionals. Pursuant to orders of the Court, the Debtors have employed 7
4 professionals:

5 - Levene, Neale, Bender, Rankin & Brill L.L.P. ("LNBRB") as their
6 bankruptcy counsel,
7 - FocalPoint Securities as their financial advisor,
8 - Manatt, Phelps & Phillips, LLP as their special labor and employment
9 counsel,
10 - Wickersham & Murphy as their special corporate and securities counsel,
11 - Grant Thornton as their accountant,
12 - Dake & Associates as their real estate consultant, and
13 - IP Recovery, Inc. as their intellectual property consultant.
14

15 27. The Committee has employed 2 professionals:
16

17 - Cooley Godward Kronish, LLP ("Cooley") as its bankruptcy counsel, and
18 - FTI Consulting as its financial advisors.

19 28. All of these professionals other than LNBRB, Wickersham & Murphy, Grant
20 Thorton and Cooley have filed their final fee applications, which have been approved by the
21 Court. The unpaid portions of the fees and costs allowed by the Court on a final basis to these
22 professionals are set forth in the Chart attached as Exhibit "1" to the Contreras Declaration.
23 LNBRB, Wickersham & Murphy, Grant Thorton and Cooley have filed the Remaining Fee
24 Applications, and the hearings on these applications have been set concurrently with the
25 hearing on the Motion. The Chart attached as Exhibit "1" to the Contreras Declaration
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1 currently reflects the unpaid portions of the fees and costs which would be owed to these
 2 professionals assuming that the Court approves these professionals' final fee applications as
 3 requested. If all of the Remaining Fee Applications are approved by the Court on a final basis,
 4 the total unpaid fees and expenses owed to professionals are approximately **\$1,997,381.25**.
 5

6 29. Landlords. The next group of holders of allowed administrative claims is prior
 7 landlords of the Debtors, which have asserted administrative claims for, among other things.
 8 July stub rent, other unpaid post-petition rents and other charges.
 9

10 30. During these cases, the Court indicated that it would be adopting the "billing
 11 date" approach with respect to the payment of rents (*i.e.*, that rents are deemed due when
 12 billed and not on a pro rated basis). Most, if not all, of the Debtors' leases provided for rents
 13 to be paid by the 1st of the calendar month; therefore, based on the "billing date" approach, the
 14 entire month became due and owing on the 1st of the calendar month. Based on this approach,
 15 and the Debtors having filed their cases on July 15, 2008, the Court ruled that July 2008 rents
 16 were pre-petition obligations of the estates. However, pursuant to Section 503(b)(1) of the
 17 Bankruptcy Code, the landlords were nonetheless given administrative priority status for the
 18 July stub rent (*i.e.*, the rents due for the period from July 15-30, 2008). Additionally, if the
 19 Debtors rejected a lease on any date that was after the first of the month, because of the
 20 "billing date" approach, the estates were burdened with administrative claim exposure for the
 21 entire month, and would not have been able to "cut off" its liability through the date of
 22 rejection. With over 100 leases as of the Petition Date, the Debtors estimated that the
 23 administrative liability resulting for the estates from the last month of store occupancy could
 24 be as high as \$3 million.
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1 31. Most of the Debtors' landlords filed requests for payment of administrative
2 claims on a variety of grounds, including, without limitation, unpaid post-petition rents
3 (including July stub rent). Recognizing the Court's views and indications that it would be
4 inclined to adopt the "billing date" approach, the Debtors reached out to all of the landlords
5 which had filed requests for administrative claims to seek some reduction of their
6 administrative claims. These efforts were successful and significantly reduced the actual
7 administrative liability exposure in favor of landlords to **\$1,332,364.32** as reflected in the
8 Chart.
9

10 32. Other Creditors. The last group of holders of allowed administrative claims is
11 made up primarily of vendors and creditors which (a) timely filed requests for allowance of
12 administrative claims which the Debtors did not object to, (b) were allowed administrative
13 claims by orders of the Court following objections by the Debtors to their respective request
14 for allowance of administrative claims, and (c) were not paid for post-petition product or
15 services in the ordinary course of the Debtors' business prior to the hearing on the Motion.
16 The Court established November 20, 2008 as the bar date for creditors to file proofs of claim,
17 and for creditors asserting administrative expense priority claims to file requests for the
18 allowance and payment of administrative expense priority claims. The Debtors obtained
19 copies of all proofs of claim and requests for allowance and payment of administrative
20 expenses that were filed (whether or not they were filed before or after the bar date of
21 November 20, 2008), and reviewed each of the claims and requests. It was necessary to
22 review all of the proofs of claim because many creditors asserted administrative claims
23 through the use of the proof of claim form even though they were not supposed to do this.
24

25 33. The Debtors objected to many requests for allowance and payment of
26
27

1 administrative claims. All of these objections have either been resolved by settlement, or
 2 resolved by orders entered by the Court either sustaining or overruling the Debtors' objections.
 3 All claim objections have now been resolved. The Chart reflects total allowed administrative
 4 liability in favor of creditors other than professionals and landlords of **\$450,938.69**.

5

6 34. The summary of the economics looks as follows:

Cash on Hand (as of October 15, 2009) -	\$3,821,000 (est.)
<u>Less:</u> Remaining Fees of Laura Contreras and Allan Levine [\$.500 for Allan Levine] (two remaining employees of the Debtors which are rendering [\$.2,500 for Laura Contreras] services to the estates on an hourly basis) -	
<u>Less:</u> Quarterly Fees for the 3 rd and 4 th quarters due to the [\$.325 to \$.650 for 3 rd] United States Trustee - [\$.10,400 for 4 th] -	
<u>Less</u> " Miscellaneous Business Expenses through November [\$.10,000] 9, 2009 -	
Net Balance for Administrative Creditors -	\$3,796,950
Total Administrative Claims (est.) -	\$3,780,685
% Payout to Administrative Claims (est.) -	100% (est.)
Balance Remaining	\$16,000 (est.)

17

18 35. The above summary shows that the estates may be left a balance left of
 19 approximately \$16,000, which, needless to say is *de minimus* to justify the Debtors having to
 20 review and object to the thousands of unsecured claims in these cases. Indeed, the process of
 21 having to review and object to unsecured claims would result in the estates incurring fees
 22 substantially in excess of the remaining balance of \$16,000. Additionally, it is possible that
 23

1 this estimated balance may be much smaller than expected if the miscellaneous business
2 expenses or fees of the estates' remaining personnel are higher.

3 36. Given the administrative insolvency of these cases or *de minimus* funds
4 available for unsecured creditors, as described above, the Debtors cannot confirm a plan of
5 reorganization (or even a liquidating plan) in these cases. Therefore, I believe that there are
6 two options for exiting these Chapter 11 cases are (1) to convert these cases to Chapter 7, or
7 (2) dismiss the cases. The Debtors have determined that dismissing the cases is a far better
8 alternative than converting the cases to Chapter 7 for at least two reasons:

9
10 37. First, all assets of the estates that can be monetized have been liquidated and
11 converted into cash. The Debtors have also fully evaluated and vetted possible claims and
12 causes of action (including preference and fraudulent conveyance claims), and have
13 determined that the viability of such claims is speculative, and spending the limited financial
14 resources of these estate to pursue such claims which would further dilute the distribution to
15 administrative claim creditors would not be in the best interests of the estates. Indeed, based
16 on the Debtors' review of the payments made by the Debtors within the 90 day period prior to
17 the Petition Date, the Debtors believe that most, if not all, of such payment were in the
18 ordinary course of the Debtors' business and/or new value was subsequently given by the
19 creditors. Additionally, the Committee has also sought to employ counsel on a contingency
20 basis to pursue possible claims against the Debtors' former officers and directors; however, no
21 counsel was found willing to be employed on a full contingency basis. Therefore, no assets
22 remain for a Chapter 7 trustee to liquidate and the cases have been fully administered already
23 by the Debtors as debtors in possession.

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EXHIBIT 1

SHOE PAVILION**EXHIBIT 1**

(Allowed Administrative Claims) – Part 1 of 3

Professional Administrative Claims

Claimant	Amount
Manatt, Phelps & Phillips, LLP	\$28,116.14
FocalPoint Securities, LLC	\$286,170.20
Grant Thornton LLP***	\$30,102.50
FTI Consulting, Inc.	\$88,749.74
Wickersham & Murphy***	\$3,677.14
Cooley Godward LLP***	\$432,367.80 (plus fees and expenses incurred for the period from October 1 – November 9, 2009 which are estimated to be approximately \$15,000)
Levene, Neale, Bender, Rankin & Brill L.L.P.***	\$1,073,198.39 (plus fees and expenses incurred for the period from October 16 – November 9, 2009 which are estimated to be approximately \$40,000)
Total	\$1,997,381.25 (approx.)

SHOE PAVILION
EXHIBIT 1

(Allowed Administrative Claims) – Part 2 of 3

Landlord Administrative Claims

STK No.	Claimant	Amount
3	Harsch Investment Properties, LLC	\$11,585.24
20	UBS Realty Investors, LLC	\$300.00
21	Regency Centers, L.P.	\$37,892.92
28	The Terra Nova Group	\$17,880.82
32	Willows Center Concord, LLC	\$4,693.48
39	Prime Outlets at Pismo Beach, LLC	\$8,428.70
44	Jantzen Dynamic Corporation	\$11,515.04
48	CT Retail Properties Finance V LLC	\$5,153.78
50	Gong Properties, LLC	\$12,471.02

Store No.	Claimant	Amount of Unpaid Administrative Claim
55	Goldstein, Alan and Adell	\$15,862.36
61	The Boas Family Limited Partnership	\$38,768.51
63	Reseda Shopping Center II, LLC	\$7,725.44
64	GLOCO, LLC	\$21,852.03
67	BIT Holdings Sixty-Three, Inc.	\$8,277.85
68	KIR Tukwila LP	\$6,994.60
70	James Campbell Company, LLC	\$7,357.11
75	Centro Properties Group	\$15,560.31
76	HOMA II, LLC	\$12,845.29
81	Centro Properties Group	\$8,926.21
82	Potrero Center, L.P.	\$27,908.50
90	Ladera Center	\$9,971.84
95	KIR Temecula LP	\$5,752.60

State No.	Claimant	Allowed Liquidated Amount
98	Centro Properties Group	\$14,097.52
101	Burbank Empire Center	\$31,369.34
104	RREEF Property Management Company	\$37,353.22
105	MCD-RC CA-EI Cerrito, LLC	\$18,378.01
111	Hollywood @ Western L.P.	\$21,439.37
112	Edward Litke Revocable Trust of 1995	\$73,857.34
113	Centro Properties Group	\$12,026.58
114	Westfield Topanga Owner LP	\$4,453.00
115	U.K.-American Properties, Inc.	\$7,311.83
120	PK III San Dimas Marketplace LP	\$7,717.72
122	Ho, Chu Kwong and Hing Kay, as Trustees of the Ho Family Living Trust Dated 11/3/1989	\$18,423.58
124	7537 West Thomas Road, LLC	\$50,549.82

Store No.	Claimant	Allowed Amount/Amount in Dispute
126	Toys "R" Us - Delaware, Inc.	\$15,529.54
130	NSHE LISCO LLC	\$19,117.00
133	RREEF Property Management Company	\$23,531.58
134	HIP Stephanie, LLC	\$13,563.00
138	Stone Brothers and Associates	\$15,560.31
140	Sac Central, L.L.C.	\$31,616.49
141	RREEF Property Management Company	\$23,643.55
142	Bella Tetra Associates, LLC	\$34,706.51
145	Montebello, LLC	\$10,723.31
147	B&B Santa Fe Mall LLC	\$6,702.40
149	San Marcos Factory Stores, Ltd.	\$13,003.59
150	Von Karman Plaza, LLC	\$20,400.52
151	Rocklin Retail, LLC	\$82,500.00

Sched. No.	Claimant	Amount of Demand, or Estimated Value, Claim
152	OfficeMax North America, Inc.	\$31,417.59
153	RREEF Property Management Company	\$25,239.81
155	Weingarten Nostat, Inc.	\$13,094.49
157	Grand Plaza, LLC	\$40,557.35
159	Arlington Highlands, LTD	\$0.00
160	George Sorich Company, The	\$14,777.60
162	Catellus Austin Retail II, LLC	\$20,677.87
164	Vestar TM OPCO, LLC	\$28,431.39
166	Great Hills Retail, Inc.	\$35,147.46
167	Mesilla Valley Mall LLC	\$16,288.44
168	Inland Western Seattle Northgate North, L.L.C.	\$18,763.54
169	Highland Village Development, Ltd.	\$20,834.39
170	The Macerich Company	\$27,182.17

Ston. No.	Claimant	Allowed Unpaid Commission on Direct Sales
171	Weingarten Nostat, Inc.	\$15,940.00
173	Steadfast Yuba City I, LLC	\$4,825.15
174	Prism-IQ Partners, LLC	\$47,103.48
175	WP Casa Grande Retail LLC	\$31,208.16
176	CNLRS Rockwall, L.P.	\$9,787.78
178	Vineyard Village MSV, LLC	\$7,545.63
179	Vestar Arizona XXXIX, LLC	\$16,368.63
180	WRI El Camino, LP	\$1,874.61
	Total	\$1,332,364.32.

SHOE PAVILION
EXHIBIT 1
(Allowed Administrative Claims) – Part 3 of 3

Non-Landlord and Non-Professional Administrative Claims

Claimant	Amount
Ad Art, Inc.	\$5,500
Bordan Shoe Company, Inc.	\$17,030.40 (unpaid balance)
Cels Enterprises, Inc.	\$7,500
Integrys Energy Services	\$4,739.85
Jump USA, Inc.	\$60,000
TALX Corporation	\$3,654
Winthrop Resources Corporation	\$63,918.74
Hickory Brands, Inc.	\$30,000
Iron Mountain Information Management, Inc.	\$27,684.01
Other Administrative Claims as Reflected on the Attached	\$230,911.69
Total	\$450,938.69

Name	Total Owed
ACTION National Sign & Lighting	1,560.67
ALLIED WASTE SERVICES	953.62
ALLIED WASTE SERVICES #902	7.35
ALLIED WASTE SERVICES #906	3,639.23
American Water & Energy Savers	88.97
AMERICAN WHOLESALE LIGHTING INC.	327.27
APS	5,555.48
ARKADIN, INC.	59.80
Arrowhead Waters	55.82
ASL SPECIAL SYSTEMS	75.00
AT &T LONG DISTANCE	1,301.51
AT&T	52.52
AT&T	522.74
AT&T	3,992.75
AT&TINTERNET SERVICES	39.00
AT&TMobility	2,496.58
AUBURN PLACER DISPOSAL SERVICE	430.13
BAYMARK BUSINESS PARTNERS, INC	138.00
BOB'SLOCK & SAFE CENTER	80.00
BURBANK WATER AND POWER	2,253.92
C R &R INCORPORATED	563.85
CALIFORNIA SUPPLY NORTH, INC.	86.40
CALIFORNIA SUPPLY, INC.	777.32
CALIFORNIA WATER SERVICE COMPANY	0.17
CALIFORNIA-AMERICAN WATER	51.45
CITYOF BAKERSFIELD	8.80
Cityof Compton Municipal Water Dpt	123.86
CITYOF FLAGSTAFF (UTILITIES)	39.08
CITYOF GLENDALE	717.78
CITYOF HURST	39.52
CITYOF MOUNTAIN VIEW	730.76
CITYOF OXNARD	213.07
CITYOF PEORIA UTILITY SERVICES	86.65
CITYOF PETALUMA	845.52
CITYOF PHOENIX	52.56
CITYOF SANTA FE UTILITY BILLING	3.63
CITYOF SANTA MONICA	517.69
CITYOF SEATTLE	3,027.77
CITYOF SEATTLE BUSINESS LIC. TAX	217.93
CITYOF TRACY	601.82
CITYOF TUCSON	595.55
CITYOF VALLEJO	201.08
Cityof Yuma	440.23
COMDATA STORED VALUE SOLUTIONS,INC.	783.77
CONTROL BUILDING SERVICES, INC.	650.00
CROWNDISPOSAL CO., INC.	81.53
CWD	102.09
DE VORE LIGHTING, INC	675.41
DEPARTMENT OF LABOR AND INDUSTRIES	3,350.28
DUBLIN SAN RAMON SERVICES DISTRICT	127.32
EDCODISPOSAL CORP.	4.30

EDCOWASTE & RECYCLING SERVICE, INC	192.31
EL TORO WATER DISTRICT	107.26
Electrical District #2 Pinal County	2,050.82
FEDERAL EXPRESS	48,171.62
FRANCOTYP-POSTALIA, INC.	311.76
GENERAL INFORMATION SERVICES, INC.	321.55
GOLDEN GATE DISPOSAL	663.91
GOLDEN STATE WATER COMPANY	113.74
GORDON B. FORD	942.90
GRANITE TELECOMMUNICATIONS	8,647.18
GREENWASTE RECOVERY	151.64
IRVINE RANCH WATER DISTRICT	27.42
JANESH RUWAMPATHIRANA	12.00
L.A. DEPARTMENT OF WATER AND POWER	23,917.86
LABORREADY, INC.	6,413.88
LOCKPATROL CORP	244.16
LOS ANGELES COUNTY TREASURY	99.37
METROMECHANICAL, INC.	3,917.09
MODESTO IRRIGATION DISTRICT	2,047.06
PACIFIC GAS & ELECTRIC	25,803.18
PANACEA NETWORKING	1,080.00
PASADENA WATER and POWER	516.87
PITNEY BOWES - C/O RESERVE ACCOUNT	17.30
PNM	3,540.20
PUGETSOUND ENERGY	1,505.60
QUEST - WA	307.49
QWIKWAY TRUCKING COMPANY	3,715.00
RESSAC	1,927.19
RICHMOND SANITARY SERVICE	1,138.72
ROSIELOPEZ CO SHOE PAVILION	15.00
SAN FRANCISCO PUBLIC UTILITIES COM	180.72
SANTAROSA RECYCLING & COLLECTION	886.39
SIERRA PACIFIC POWER CO.	514.28
SIMPLEXGRINNELL LP	104.00
SOUTHWEST GAS CORPORATION	171.97
STATEBOARD OF EQUALIZATION	3,803.00
SUNSET SCAVENGER COMPANY	159.55
SUPERIOR SANITATION SERVICE, INC.	267.10
TAX COLLECTOR CITY & COUNTY OF SAN	5,073.91
TERMINIX PROCESSING CNTR-CINCINNATI	1,826.00
THE CITY OF SAN DIEGO	60.47
THE GAS COMPANY	10.33
TUCSON ELECTRIC POWER COMPANY	5,005.87
TULALIP DATA SERVICES	45.00
U.S.WASTE INDUSTRIES, LLC	1,704.37
US TELEPACIFIC CORPORATION	32,128.89
VALLEJO GARBAGE SERVICE	57.68
VENALI, INC.	770.64
VERIZON CALIFORNIA	17.23
VERIZON NORTHWEST	67.24
VERIZON SOUTHWEST	360.13
VERIZON WIRELESS	311.25

WASHINGTON FIRE & SAFETY, INC.	93.66
WASTEMANAGEMENT OF ORANGE COUNTY	24.38
	<hr/>
	<hr/>
	230,911.69

1
2 In re:
3 Shoe Pavilion, Inc.
Shoe Pavilion Corporation

Debtor(s).

Chapter 11
1:08-bk-14939-MT
1:08-bk-14941-MT

4 **NOTE:** When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I.
Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

6 PROOF OF SERVICE OF DOCUMENT

7 I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
10250 Constellation Boulevard, Suite 1700, Los Angeles, California 90067

8 The foregoing document described **NOTICE OF MOTION AND MOTION OF DEBTORS TO APPROVE**
DISMISSAL OF DEBTORS' CHAPTER 11 BANKRUPTCY CASES AND DISTRIBUTION OF FUNDS TO
ALL OUTSTANDING ADMINISTRATIVE CLAIMANTS EITHER IN FULL OR ON A PRO RATA BASIS;
MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATION OF LAURA CONTRERAS IN
SUPPORT THEREOF will be served or was served (a) on the judge in chambers in the form and manner
required by LBR 5005-2(d); and (b) in the manner indicated below:

12 I. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")** – Pursuant to
controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served
by the court via NEF and hyperlink to the document. On **October 19, 2009** I checked the CM/ECF docket
for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the
Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

15 * Samuel R Arden sarden@hssw.com
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Service information continued on attached page

II. **SERVED BY U.S. MAIL OR OVERNIGHT MAIL**(indicate method for each person or entity served):

On October 19, 2009, I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. *Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.*

VIA U.S. MAIL – SEE ATTACHED SERVICE LIST

Service information continued on attached page

(PROOF OF SERVICE CONTINUED ON FOLLOWING PAGE)

III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on October 19, 2009, I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. *Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.*

COURTESY COPY VIA ATTORNEY MESSENGER

**Hon. Maureen Tighe
U.S. Bankruptcy Court
10241 Burbank Boulevard, Ctrm 302
Woodland Hills, CA 91367**

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

October 19, 2009	Angela Antonio	/s/ Angela Antonio
Date	Type Name	Signature

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.
January 2009 **F 9013-3.1**

F 9013-3.1

Shoe Pavilion
File 4226
RSN

SERVED VIA U.S. MAIL

Debtors

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Landlord and Managing Agent
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